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Ameritech

Lynn Shapiro Starr
Vice President
Regulatory Affairs

March 5, 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Ex Parte Statement**
CC Docket 96-98

Dear Ms. Salas:

On Thursday, March 4, 1999, John Lenahan, Assistant General Counsel, and I met with Carol Mattey, Frank Lamancusa, Don Stockdale, Michael Pryor, Michelle Carey and Jake Jennings. At the meeting we discussed Ameritech's proposed shared transport offering filed in a pending Ohio Cost Docket (filed December 15, 1998, Public Utility Commission of Ohio) and assumptions underlying the proposal. The attached document, which was handed out at our meeting, reflects the substance of our conversation.

In accordance with the Commission's rules, an original and one copy of this notification are being provided.

Sincerely,

Lynn Starr

Attachment
cc: C. Mattey
F. Lamancusa
D. Stockdale
M. Pryor
M. Carey
J. Jennings

Ameritech – Ohio Tab 1
SHARED TRANSPORT
1998 Study

STUDY PURPOSE

The purpose of this study is to estimate the cost of Shared Transport as described by the FCC's Third Order on Reconsideration and Further Notice of Proposed Rulemaking (FCC 97-295).

The Telecommunications Act requires that access to network elements, such as transport and switching, be provided on an unbundled basis in a manner that permits the requesting carrier to combine such unbundled network elements. (Section 251(c)(3)). As described in a Petition for Rehearing, dated September 23, 1998, pending before the 8th Circuit Court, Ameritech contends that Shared Transport as required by the FCC can only be provided through a combination of transport and switching combined by the ILEC.

While consistent with the FCC's Third Reconsideration Order, Ameritech Ohio does not concede or otherwise acknowledge that it is required to offer the products/services described in this cost study under any applicable State or Federal law or court decision. Moreover, at this point Ameritech Ohio has determined it is not technically feasible to offer Shared Transport as described by the FCC in a manner unbundled from switching.

SERVICE DESCRIPTION

The following is properly viewed as a functional description rather than a complete product description of Shared Transport. The cost details provided identify only those cost components Ameritech has been able to identify to date and do not suggest a rate structure or rate elements.

Shared Transport represents a constantly changing combination of the Ameritech interoffice trunk network including end office and tandem trunk ports, tandem switching, interoffice facilities between Ameritech's switches, and central office routing tables. Shared Transport is provided for the delivery of CLEC switched voice traffic for local and intraLATA toll on the Ameritech interoffice trunk network. CLECs purchasing Shared Transport also use it as an unbundled network element to carry originating access traffic from, and terminating access traffic to, end users to whom the requesting carrier is also providing local exchange service (FCC 97-295, para. 2).

Shared Transport refers to all transmission facilities connecting Ameritech's switches which can be shared by more than one LEC, including Ameritech. These facilities include those between Ameritech's end office switches, between Ameritech's end office switch and Ameritech's tandem switch, and between Ameritech's tandem switches. (FCC 97-295, para. 54) See Diagram 1 following which is taken from FCC 97-295, para. 25.

To provide access to Shared Transport, Ameritech will utilize the existing company routing tables contained in Ameritech's switches when a CLEC subscribes to Unbundled Local Switching (ULS).

The FCC's Order further provides that dedicated transport (and not Shared Transport) must be used between Ameritech's central office switches or Ameritech's serving wire centers and the requesting CLEC switches (FCC 97-295, para. 28). The FCC also states that it must be dedicated transport from an Ameritech central office switch to an Ameritech serving wire center. See Diagram 2 following which was taken from FCC 97-295, para. 29.

Since Ameritech's existing Transit Service is defined and structured as a service between two parties external to Ameritech's network, there is a need to create a new transit function. To allow CLECs, who subscribe to Ameritech's ULS, to originate traffic and complete through Ameritech's network to other switches owned by 3rd parties, Ameritech will provide for a transit service, which encompasses the dedicated transport requirement defined by the FCC. This transit function is detailed under the terms and conditions of this document.

Therefore, all traffic between Ameritech switches will utilize Shared Transport and all traffic to non-Ameritech switches will utilize dedicated transport (not Shared Transport) and Transit Service, where applicable. See Diagrams 3 & 4 following.

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SHARED TRANSPORT
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Terms and Conditions

Shared Transport is limited to available capacity on Ameritech facilities.

Access to Shared Transport is only provided though ULS ports subscribed to by the CLEC and dedicated to the CLEC's end users.

When using Shared Transport to reach Ameritech end office switches (on-net traffic) a CLEC must also arrange for dedicated transport to care for local and intraLATA toll traffic to non-Ameritech switches (off-net traffic) as follows:

- For all traffic originated by its end users and destined for its own switches, a CLEC must establish dedicated transport between the two offices
- For all traffic to non-Ameritech switches originated by its end users and destined to a 3rd party's switch, a CLEC must either establish their own dedicated transport between the two offices or use a dedicated EOI transit trunk between the end office and the tandem, and Ameritech's new transit function at the tandem

When using Ameritech's transit function to reach a 3rd party's switch the CLEC is subject to the following:

- Establishing a ULS trunk port(s) at each Ameritech end office switch location where subscribing to ULS
- Establishing EOI Local and IntraLATA Toll trunk group(s) to the tandem(s)
- Connection of the ULS trunk port(s) and EOI trunk group(s)
- Establishing unique routing in each Ameritech end office switch to direct off-net traffic to these dedicated routes
- Terms and conditions for Transit Service in their Interconnection Agreement will generally apply but may require some modifications
- Charges related to the new Ameritech transit function

All necessary dedicated transport and EOI transit routes must be in place at the time the CLEC begins the use of Shared Transport.

A CLEC cannot mix the use of Shared Transport and custom routing within an Ameritech end office switch for on-net local and intraLATA toll traffic. The exception to this rule is when using Shared Transport a CLEC may also choose to direct their operator services and/or directory assistance calls to dedicated transport bound for their OS/DA provider.

Shared Transport cost will include all appropriate portions of the network. This encompasses all use of the network including non-conversation time (e.g., attempts, call set-up, etc.). Factors will be used to account for tandem vs. direct routed traffic.

Since switches do not identify all carriers involved with a call, an Originating Carrier Pays (OCP) concept will apply for local and intraLATA traffic:

- The originating ULS carrier will be billed for originating and terminating switching and Shared Transport
- The terminating carrier will not be charged for incoming traffic and therefore will incur no incremental cost
- Because the originating carrier will incur the cost, compensation to the terminating carrier will not be necessary
- All local and intraLATA traffic will be billed from the originating record
- Terminating records are not available and will not be required

Since Ameritech cannot currently suppress access billing to the Interexchange Carrier (IXC) and cannot identify terminating access to permit the CLEC to bill, a factoring approach will be used to reimburse the CLEC for its portion of the access traffic (Originating, Terminating). The factor will address exchange access traffic that either originates from or terminates to an end user to which the CLEC is providing telephone exchange service from an Ameritech end office using ULS and Shared Transport. The factor will be based on Ameritech's access rates.

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SHARED TRANSPORT
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STUDY METHODOLOGY

The Commission, in the Ohio PUC Order On Rehearing in 96-922-TP-UNC clarifies that Ameritech Ohio was not obligated to develop a TELRIC study covering transport between its switches or serving wire centers and requesting carriers switches.

The costs that are being provided here are only for Shared Transport between Ameritech's switches. They do not include any additional cost components such as:

- allowing use of Ameritech's network to complete a transiting function to 3rd party switches for ULS originated calls
- accounting for appropriate billing system changes for this transiting function

The cost details provided identify the cost components and do not suggest a rate element or rate structure that Ameritech might choose if required to do so.

No demand has been included, only cost components.

The following are not rate elements or rate structures, they are the cost components that have been identified for Shared Transport:

- The use of trunk ports at the originating Ameritech end office to connect with the shared interoffice facilities
- The use of transport between Ameritech switches
- The use of the Ameritech tandem offices, including switching and trunk terminating equipment
- The use of trunk ports at a terminating Ameritech end office switch
- The use of switching at a terminating Ameritech end office switch
- Development and ongoing administration of factoring to reimburse for CLEC portion of access traffic
- Monitoring, augmenting, and maintaining the network in a multiple CLEC environment
- Collecting, tracking, and integrating CLEC forecasts into Ameritech network planning
- Development of the originating carrier billing capability for local and intraLATA toll calls
- Billing changes depending on the rate structure chosen
- Development and training of line organizations Methods & Procedures
- Development and publishing of customer documentation

Costs were developed using the TELRIC methodology, models and assumptions required by the Ohio PUC order in case 96-922-UNC.[1]

STUDY ASSUMPTIONS

Composite Cost of Money	9.74%
Debt Ratio	41%
Cost of Debt	7.46%
Cost of Equity	11.21%
1999 Labor Rates	
FCC Prescribed Lives	
Shared and Common Cost Loading	33.56%

[1] Shared Transport requires the use of Ameritech's routing tables. The FCC's Third Reconsideration Order states that routing table costs are a cost of Shared Transport. However, the cost of establishing and maintaining these routing tables has been previously included in Ameritech's ULS cost development.

DIAGRAM 1 (FCC 97-295, para. 25)

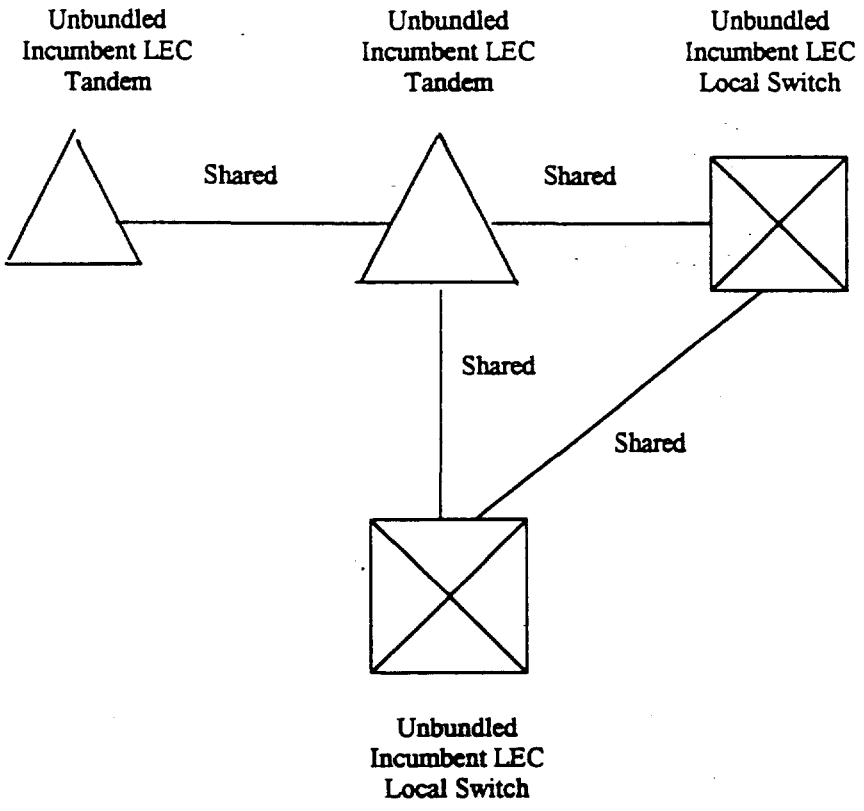

DIAGRAM 2 (FCC 97-295, para. 29)

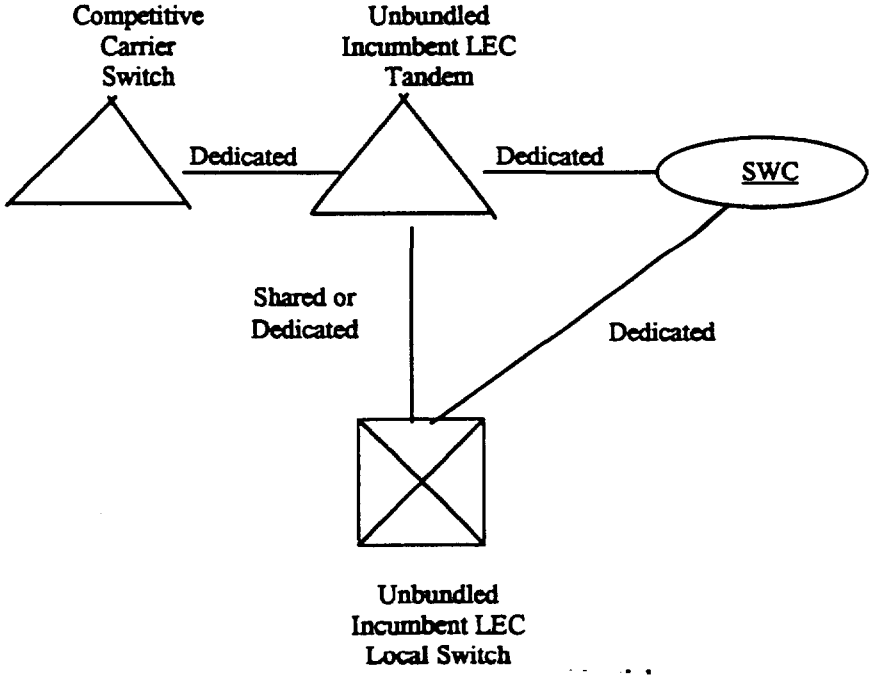

DIAGRAM 3

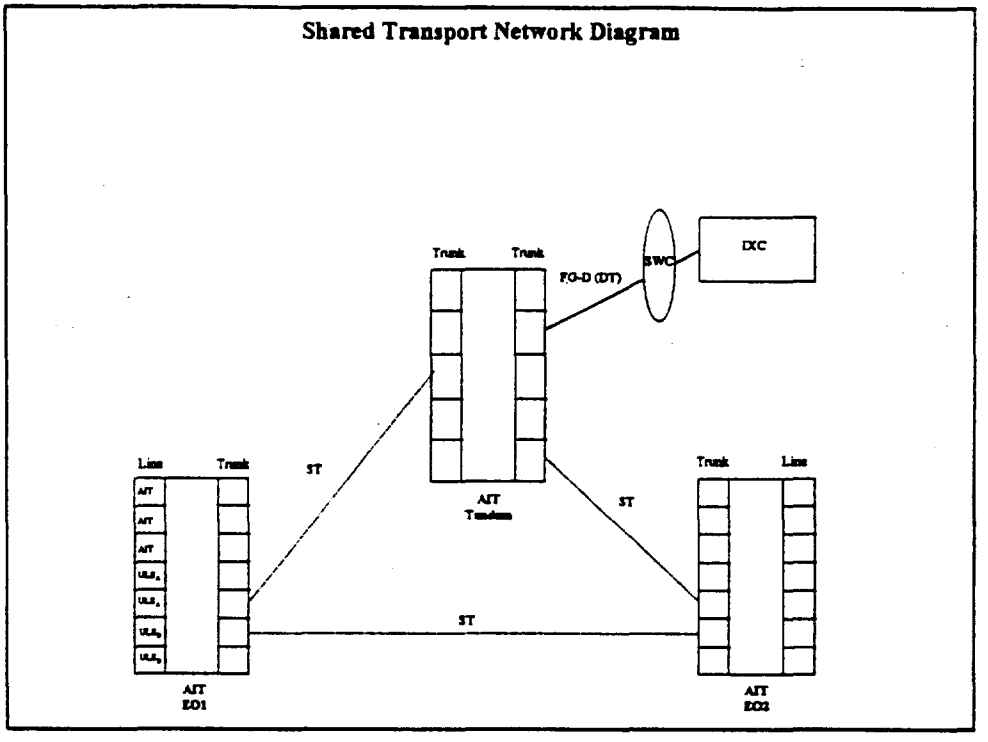

DIAGRAM 4